

Michael P. Morris, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: JUNE 12, 2008

PLACE: SALT LAKE CITY, UTAH

ATTENDING:

BOARD

Michael P. Morris
John Ferry
James Lee
John Scales
Michael Brown
Dan Lofgren
Gayle McKeachnie

STAFF

Kevin S. Carter
Kim Christy
Doug Buchi
Lisa Schneider
Tom Faddies
Kay Burton
Ron Carlson
Elise Erler
NormaLee McMichael
LaVonne Garrison
Rodger Mitchell
Sue Stewart
John Andrews
Cris Rasmussen
Alexa Wilson
Chet Gritzmacher
Dave Hebertson
Rick Wilcox
Lynda Belnap

OTHERS IN ATTENDANCE

Natalie Gordon, State Utah PTA
Barbara Smith, TAC
Christopher Thomas, Heal Utah
Margaret Bird, USOE, USU, UofU
Tim Donaldson, USOE
Bruce Hinckley, USOE

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Chairman Morris welcomed Board members, Staff, and guests.

1. Approval of Minutes

Mr. Lee asked that the motion on Page 13 of the May 15, 2008, minutes read as follows: "I move we extend the prior modification of the lease until the end of September". It was also noted that on Page 13 it was David Wolfgram who was in attendance for Ivory Homes. On Page 11, Mr. Ferry noted that the six percent is the Board's counter offer and asked that this be added. In the second paragraph on Page 11, fifth line, the "price" per acre should read "revenue" per acre. With these and some other minor typographical errors, the Board approved the minutes of May 15, 2008.

Lee / Ferry. Unanimously approved.

"I move we approve the minutes of May 15, 2008, as corrected."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

2. Confirmation of Upcoming Meeting Dates

Director Carter noted that possibly we should change the October meeting to Salt Lake City to have a strategic planning meeting. The dates would be the same, but the place would change. The Board, without motion, confirmed the following upcoming meeting dates:

July - - No meeting
August 19 - - Salt Lake City
September 11 - - Salt Lake City
October 23, 24 - - Salt Lake City (Strategic planning meeting)

Director Carter also reminded the Board that the Western States Land Commissioners Conference in Boise, Idaho, is July 13 - 17, 2008. If any Board members would like to attend, please let us know soon.

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3. Chairman's Report

a. Beneficiary Report

Ms. Bird stated that the State Superintendent of Public Instruction, Ms. Patti Harrington, was planning to attend the Board Meeting, but had a family issue come up today and could not make it. Therefore, Ms. Bird gave the beneficiary report. Their group now reports directly to the State Superintendent. The Superintendent may also be attending some of the committee meetings of the Board. The State Board of Education has had items on its agenda for the last four months regarding trust lands issues.

Ms. Bird expressed to the Board appreciation for all they do for the schoolchildren and the state. She and her Staff have just completed reading the schools plans for the use of the trust funds, and some incredible things are being done with that money. Tomorrow the State Board of Education will consider adopting rules on community councils. They will also consider a rule on the School Land Trust Fund. Ms. Bird explained briefly to the Board the current situation with the split of the Jordan School District and how the community councils are involved.

Ms. Bird updated the Board on the status of the Nominating Committee process. She stated they would like to consider in legislation having industry make their own appointments to the Committee instead of the Governor. The Committee is meeting on June 16.

Chairman Morris asked questions about who will be giving the beneficiary report in the future. Ms. Bird stated that the Superintendent will give the report if she is in attendance.

b. Election of Board Chairman and Vice-Chairman

The Board elected its Chairman and Vice-Chairman as follows:

Lee / McKeachnie. Unanimously approved.

"I nominate John Ferry as the next chairman of the Board."

Roll Call:

Mr. Ferry - - yes

Mr. Scales - - yes

Mr. Lofgren - - yes

Mr. Morris - - yes

Mr. Lee - - yes

Mr. Brown - - yes

Mr. McKeachnie - - yes

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3. Chairman's Report (cont'd)

b. Election of Board Chairman and Vice-Chairman (cont'd)

Lee / Ferry. Unanimously approved.

"I nominate John Scales for Vice-Chairman of the Board."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. Lofgren - - yes	Mr. McKeachnie - - yes
Mr. Morris - - yes	

These actions will be effective July 1, 2008.

Director Carter and Ms. Bird gave Chairman Morris some gifts at this time in recognition of his service on the Board. Chairman Morris stated this has been one of the great experiences of his life in every way and thanked everyone for it.

c. Audit Committee, Membership, and Report of Audit Committee

Mr. Ferry reported that the Audit Committee met this morning and reviewed several issues that Mr. Carlson had proposed. There will be a memo generated by the Director and Staff regarding the relationship between the Director, the Board, and the auditor. It will come to the Board for review and action at the next meeting.

Mr. Ferry stated that he and Mr. Scales will now be the Board members on the Audit Committee. Other members of the Committee will remain the same.

Mr. Morris noted that the audit group performed many audits over the last fiscal year and found almost \$500,000 in unpaid royalty, etc.

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3. Chairman's Report (cont'd)

d. Report of Incentive Objective Committee

Mr. Ferry, Mr. Scales, and Mr. Brown are on this committee. Mr. Ferry reported on the meeting they had with Staff. Staff had proposed some objectives. The committee eventually decided it would be well to have a new five-year strategic plan.

The committee members have received a proposal from Director Carter to review for further discussion. The Board felt like it would be well to meet at the October meeting in Salt Lake City for a planning meeting.

Mr. Brown stated that he thinks the goals should be tied to a plan and the big picture and our overall objectives. One of the advantages with Staff is that it is a group of people who can work together and make the agency better than working alone.

Mr. Scales stated this five-year plan will bring everything together and will look at the whole organization. There will be a single objective to complete the plan, which will incorporate other objectives into it that will show how the plan can be completed.

Does the Board in general think this is a good idea? The Board generally felt this was a good idea. The Board felt like we should meet at our offices in October on the dates planned for a planning meeting. Chairman Morris stated we may want to consider a professional facilitator.

The Board will meet in our offices on October 23 and 24 for a strategic planning retreat. Staff will work with the Chairman on scheduling this.

Mr. Scales stated the committee would like the Board's approval that it is headed in the right direction. The Board, without motion, indicated their agreement with the direction the committee is headed with incentives.

The Board asked for a report on the progress of the resort in Kane County at its next meeting.

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4. Director's Report

a. Director's Update on Issues

Director Carter reported that the combined Permanent Fund exceeds \$1 billion. The school portion is about \$950 million. The stock market is hurting us. Some time during the next fiscal year, the School portion will be \$1 billion.

During the last legislation session, the legislature passed HB 354 that requires us, Department of Natural Resources, UDOT, and Department of Facilities Construction and Management to promulgate rules prior to selling or exchanging lands. They have patterned the bill after the model we have had in place. The legislative committee stated we needed to enact rules. We responded that we already have rules in place. That brought into question the statute that states that an agency has to enact rules within 180 days of a statute passage. We appeared before the committee, and the committee agreed we didn't need to enact new rules because we already had them in place.

I. Establishment of Exempt Positions

- A. Real Estate Financial Analyst
- B. Assistant Director/Finance
- C. Deputy Assistant Director/Finance

The Board had a memo regarding this issue, which contained some sensitive information and therefore was kept confidential to Board members. We received funding for a new position this last legislative session. We have been consistent over time in creating all new positions as exempt positions under our statute AS positions. That is the approach we would like to take with this position. The statute gives the Board the authority to create an exempt position and a salary range. We have recommended a range where we feel this position fits. It is our recommendation that we create this position with the title of Real Estate Financial Analyst, with a salary range between Steps 47 - 63 (\$39,463.30 - \$60,906.96).

We have two existing positions - - our Finance Director and Budget Director. The Finance Director is already exempt under DHRM rules as an AD position, but not exempt as per our statute. The Budget Director is a career-service, Schedule B position. The positions we create under our statute are AS positions. We would like to move the Finance Director to an AS position and make the title of that position Assistant Director/Finance. We are also looking at

creating the budget position as a Deputy Assistant Director for Finance. We are following what we understand to be the long-term strategy of the agency to move employees to exempt positions.

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Establishment of Exempt Positions (cont'd)

A. Real Estate Financial Analyst

B. Assistant Director/Finance

C. Deputy Assistant Director/Finance

Based on our statute, we have to consult with the Director of DHRM. We have done that. In the past, they have been agreeable to this. This time, they have not agreed. We feel the statute only obligates us to "consult". The state is now looking at trying to move all its employees out of the merit system to exempt positions.

The Board asked some questions regarding the DHRM consultation. If the Board decides to create these positions as exempt, Director Carter will sit down with the Executive Director of DHRM and work out the issues. The Director is recommending this because it creates a more business-like entity that helps us facilitate our mission. Our experience is that at-will employees have longer tenure than the merit employees. The Board asked what the potential fallout issues will be if we do this without DHRM agreement. Director Carter noted we have to resolve this between the agencies. He thinks we have been very disciplined in pursuing this philosophy. Most of our professional employees are now exempt.

Director Carter noted that approval is being sought for these actions as follows:

- * Pursuant to Section 53C-1-201(3)(a), create a position titled Real Estate Financial Analyst with a salary range between Steps 47 - 63.
- * Pursuant to Section 53C-201(3)(a), create a position titled Assistant Director/Finance, with a salary range between Steps 75-87.
- * Pursuant to Section 53C-201(3)(a), create a position titled Deputy Assistant director/Finance, with a salary range between Steps 55-78.

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Establishment of Exempt Positions (cont'd)

Lee / Ferry. Unanimously approved.

"I move we allow these positions to be created as recommended."

Roll Call:

Mr. Ferry - - yes

Mr. Lee - - yes

Mr. Scales - - yes

Mr. Brown - - yes

Mr. Lofgren - - yes

Mr. McKeachnie - - yes

Mr. Morris - - yes

II. Report on Incentive Objective "C"

Mr. Carlson noted this was discussed last month with the Board, and this is a follow-up discussion. Mr. Carlson reviewed this issue through a power-point presentation as follows:

* Goals

* Reduce labor

* Reduce errors

* Improve customer service

* Options for electronic forms handling

* Option 1: Online fillable forms

* Option 2: Online fillable forms with internet return

* Option 3: Online forms return and internet payments

* Option 4: Total re-engineering

* Board assignment was:

* Contact other agencies

- * Workforce Services
- * Tax Commission

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Report on Incentive Objective "C" (cont'd)

- * Vendor on state contract
 - * Utah Interactive, Agency web host
 - * Points of discussion
 - * Reasons for e-business
 - * Transaction volume
 - * Payment express portal
 - * Element of re-engineering
- * Recommendations
 - * Complete conversion to fillable forms
 - * UII develops payment express
 - * Implement online forms

Director Carter noted that our fillable forms are quite easy to put on our website. Some of our forms do need a wet and notarized signature. We are trying to examine these situations to see if we really need those wet signatures. On the payment express, Director Carter doesn't want to have to pay the credit card fee on large payments. The on-line forms would be that we would receive them on line and it would be paperless.

Mr. Morris asked if we have come from a bottoms-up approach to make sure the people really dealing with the transactions have had input and that it will work. Mr. Carlson noted we have had interaction from the lease managers, etc.

Staff will come back in August to let the Board know how we are implementing these issues.

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

III. Report on Incentive Objective "E"

Mr. Buchi reported to the Board that staff has worked extensively in coming up with recommendations on this incentive objective. The Board had been sent a memo explaining this issue in full. Mr. Buchi reviewed this item through a power-point presentation as follows:

- * Objective
 - * There are a number of properties in the agency's portfolio that have mid- to long-term commercial potential. The agency should take the appropriate steps to protect and enhance our ability to market and develop those properties when the timing is appropriate.
 - * i. Identify surface properties which may have mid- to long-term commercial development potential.
 - * ii. Assess current or prospective threats that may prevent eventual development of these properties.
 - * iii. Develop a specific plan for each property to address any perceived threat.
 - * iv. Where appropriate and practical, implement protective measures for those properties with imminent threats.
- * Defined "commercial potential" as any parcel that may have a real estate application, either through the Surface Group or the Planning & Development Group
- * Identified all parcels that fit objective criteria
 - * 69 total parcels identified - - total of approximately 117,300 acres
 - * 43 parcels administered by P&D Group
 - * 22 parcels administered by Surface Group
 - * 4 parcels jointly administered by Surface and P&D Group
- * Lead Research Specialists and Project Managers

- * Evaluate and assess known threats to their respective parcels
- * Threats may include: access, endangered species, availability of infrastructure, competition from adjoining landowners, and community or political opposition

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4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

III. Report on Incentive Objective "E"

- * Defined an immediate and long-term implementation action plan:
 - * Simple plans - - relatively simple and have already begun implementation or will within the next year (29 parcels)
 - * Complex plans - - will take one to several years to implement (40 parcels)
 - * Comprehensive Abstract to be completed for all identified parcels
 - * Strategic Plan developed using "SWOT" Analysis
 - * Business Plan developed, including financial analysis
- * Excel spreadsheet summarizing all 69 parcels
 - * Parcel name
 - * County
 - * Total approximate acres
 - * Administrator - - Surface or P&D Group
 - * Challenges / threats
 - * Preliminary plan for addressing challenges and threats
 - * Actions taken to date
 - * Project manager
- * Annotated report on file within administrative group responsible for each parcel
- * All salient information to be entered into Business System
- * Interactive map
 - * Map created to show location of all 69 parcels
 - * Parcel information has been linked to each arcel for quick informational reference

Chairman Morris noted these development parcels are a small part of our total acreage. Mr. Buchi stated he feels this satisfies what was intended in completing this objective. Mr. Christy stated this has been a very good exercise in the groups working together and putting this information together. This was for information to the Board at this time.

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4. Director's Report (cont'd)

b. Associate Director's Report

Mr. Andrews gave the Board an update on the status of the St. George Airport transaction. There were some questions about some of the issues discussed last month.

(1) The ability of St. George City to commit to debt beyond the current fiscal year - - Mr. Andrews stated he has researched this, and there is a court case that lets a city create a municipal building authority to incur debt. This is who we will be contracting with. The authority relies on the lease payments for its revenue. Mr. Morris asked what entity, the city or the municipal building authority, guarantees the loan back to the state on the old airport transaction? Mr. Andrews stated he was not sure who would do that.

(2) Was the FAA aware of the fact that we would retain legal title to the property? - - Mr. Andrews stated this has been discussed with the FAA, and they have approved it. We have added conditions to the contract that we be given information as to the satisfaction of the FAA stating that the City has obtained approval from the FAA regarding this issue.

Mr. Morris stated that the Board had the expectation that the City of St. George would back the credit. Mr. Andrews stated we are well secured in the sense that we still own the land. If there is a default, we will own a portion of a functioning airport.

Mr. Andrews stated that the City is looking at shifting the footprint of the airport, and we are waiting for some revised acreage figures for trust lands, etc. The payment schedule is at six percent. Mr. Morris thinks the deal has changed if we don't have a rated entity on the line for credit throughout the payment stream. Mr. Andrews stated the City can't constitutionally enter into that agreement. Mr. Morris is suggesting that we take a bigger deposit up front. Director Carter noted the City doesn't have any more money to pay us.

Mr. Morris reviewed the situation with the Board and Staff where the City takes possession of

the land, makes no down payment, and makes no payments for the next four years. If they default, we have to take our land back; and it may have a runway on it. Mr. Scales stated he doesn't think the City not being able to have the authority to take the debt is new information, and the Board told the Staff to make the deal. Mr. McKeachnie stated he felt confident when he voted for it that it would be o.k. He doesn't think they can get airport financing without title to the land, and they will end up finding a way to pay us. Mr. Morris stated he voted for it based on the fact that St. George City can guarantee or incur the debt. He thinks that has now changed.

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4. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

Director Carter noted they have fixed that with the creation of the municipal authority. Mr. Andrews stated it has been represented to us that FAA will approve the project without title to our land. We will require written documentation of this before closing the deal. Mr. Morris noted that we have not looked at the entity that took over the debt.

The Board discussed this at some length. Mr. Lee stated he would communicate further with Mr. Andrews on the airport issue. Mr. Brown noted the airport has to be built. There is some risk to the Trust, but the benefits seem to outweigh those risks. Mr. Lofgren stated that he sympathizes with Mr. Morris' perspective. He thinks we should be back to the table with the City to resolve this problem. It's not quite what we hoped for when we passed the motion. The credit upon which we can rely seems to be diminished. In their mind a deal has been made. To try to not do the deal is very problematic. We could sit down with them and discuss the debt issue. There should be a covenant on their part to reclaim the land.

Mr. Andrews also reported to the Board on the status of some ongoing cases: i.e., the NPCA case, the Mathis case, and the Cook case. He also noted we have new litigation regarding a purchaser of some land that has filed for bankruptcy. It was noted that the Board would like to know the dates of when Staff goes to the Supreme Court for argument.

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4. Director's Report (cont'd)

c. Surface Group Report

Mr. Christy reported on the land sale which was held on May 27, 2008.

- * 12 parcels submitted for sale
 - * 11 surface parcels
 - * 1 parcel owned by DWR
- * 10 parcels sold
 - * 9 SITLA parcels
 - * 1 DWR parcel
- * Water shares owned by DWR sold
 - * 4 blocks of 10 shares each in the Dry Gulch Irrigation Company (irrigation water)
- * Sale Income - - \$1,215,033
 - * SITLA property - - \$605,033
 - * DWR property - - \$465,000
 - * DWR water shares - - \$145,000
- * Sale income over appraisal
 - * SITLA - - \$104,636 (21 percent above appraisal)
 - * DWR - - \$219,000 (89 percent above appraisal)
- * Acres sold - - 1,017.49
 - * SITLA - - 900.05

- * DWR - - 117.44
- * Average \$/acre paid - - \$1,051.63
 - * High \$/acre paid - \$3,959.46 (Roosevelt Game Farm - DWR property)
 - * Low \$/acre paid - - \$300 - - East Harding

Chairman Morris encouraged Board members to attend an auction to see how it is done. He thinks it is a very well-run process.

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4. Director's Report (cont'd)

d. Block Management Report

Mr. Burton reviewed some block planning with the Board. The latest block that he has planned is the Lake Mountain Block. This plan should be completed within the next two months. His recommendation on this block will be to be patient on it and not do pre-market activities.

5. Consent Calendar

Notification

a. Amendment to Lions Back Development Lease - - Devl 760

The Board expressed no comments on this lease amendment.

b. Renegotiation of Ticaboo Lease - Devl. 2

The Board expressed no comments on this lease amendment.

Chairman Morris stated this is his final meeting. He has enjoyed working with the Board members and Staff. He thinks this is one of the most professional organizations he has seen.

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